
Department of Revenue

This report documents issues noted during our financial-compliance audit of the Department of Revenue (department) for the two fiscal years ended June 30, 2006. The seven recommendations in this report discuss reconciliation controls, unrecorded revenue and expenditures, the debt collection program, improving tax compliance, and noncompliance with state statutes. This report also contains one disclosure issue related to audit collections.

We issued a qualified opinion on the department's financial schedules presented in this report. The opinion on page A-3 discusses unrecorded expenditures for the Liquor Control Division. This means the reader should use caution when analyzing the presented financial information and the supporting data on the primary accounting records.

The listing below serves as a means of summarizing the recommendations contained in the report, the department's response thereto, and a reference to the supporting comments.

Recommendation #1

We recommend the department implement controls to ensure daily reconciliations of receipts to amounts recorded on its taxpayer systems are complete and accurate..... 11

Department Response: Concur. See page B-3.

Recommendation #2

We recommend the department record revenues and expenditures for local government reimbursements and collection agency contracts, as required by state law... 12

Department Response: Concur. See page B-4.

Recommendation #3

We recommend the department:

- A. Charge the General Fund a proportionate share of debt collection program costs for collecting child support debt.

Department Response: Partially concur. See page B-5.

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- B. Adjust its delinquent account collection rate to be commensurate with costs, in accordance with state law.

Department Response: Concur. See page B-5.

- C. Move \$36,662 of fiscal year 2005-06 costs from the Internal Service Fund to the General Fund..... 15

Department Response: Concur. See page B-5.

Recommendation #4

We recommend the department work with the Board of Oil and Gas Conservation to develop and implement procedures for cross-matching oil and gas production and sales data to ensure all oil and gas severance taxes owed are reported or assessed in accordance with state law. 17

Department Response: Partially concur. See page B-6.

Recommendation #5

We recommend the department:

- A. Work with the Secretary of State to obtain the information necessary for an efficient comparison of new entity information.

Department Response: Concur. See page B-6.

- B. Compare information to department records for all of the entities the Secretary of State reports.

Department Response: Concur. See page B-7.

- C. Implement more effective procedures for identifying and reporting corporation license tax nonfilers and delinquent filers to the Secretary of State as required by state law. 19

Department Response: Concur. See page B-7.

Recommendation #6

We recommend the department:

- A. Comply with section 15-30-112, MCA, concerning the income limitation of dependents other than taxpayers' children.

Department Response: Concur. See page B-7.

- B. Improve the tax booklet by including all information affecting individual income tax computations contained in state law. 21

Department Response: Concur. See page B-7.

Recommendation #7

We recommend the department:

- A. Centrally assess cellular phone companies as required by section 15-23-101, MCA.

Department Response: Concur. See page B-8.

- B. Implement procedures and administrative rules to provide consistency in assessing additional penalties for purposely failing to file or pay taxes when due, as required by sections 15-1-216(1)(b) and (d), MCA.

Department Response: Concur. See page B-8.

- C. Seek legislation to amend sections 15-1-201 and 15-35-104, MCA, to reflect the department's current information needs from municipal corporations and coal mine operators. 23

Department Response: Concur. See page B-8.